ANNUAL BUDGET OF !KHEIS LOCAL MUNICIPALITY

2017/18 TO 2018/19

Medium Term Revenue & Expenditure Framework (MTREF)

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2017

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Abbreviations and Acronyms

ASGISA	Accelerated and Shared Growth Initiative
BPC	Budget Planning Committee
CFO	Chief Financial Officer
CPI	Consumer Price Index
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EPWP	Expended Public Works Programme
FBS	Free basic services
FMG	Financial Management Grant
GAMAP	Generally Accepted Municipal Accounting Practice
GDS	Growth and Development Strategy
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
IDP	Integrated Development Strategy
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
M	Mayor
MM	Municipal Manager
MBRR	Municipal Budget Reporting Regulations
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MSIG	Municipal Systems Improvement Grant
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NDP	National Development Plan
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PMS	Performance Management System
PPE	Property Plant and Equipment
SALGA	South African Local Government Association

Part1–ANNUAL BUDGET

Mayor'sReport

1. Introduction

I am hereby presenting the Draft Annual Budget, Draft Service Delivery Budget Implementation Plan (SDBIP), and IDP for the 2017/2018 MTREF. The budget that I am presenting was prepared in accordance with the Municipal Finance Management Act, (Act 56 of 2003) and complies with Generally Recognized Accounting Practices as applicable to Local Government.

This budget midst of the on-going global economic crisis, are presented in a time when municipalities throughout the country are struggling to get their economies working again. As an elected representative, I am duty bound to report on occasions like these properly on the execution of our mandate.

I therefore Councillor's, make this bold statement: "We are responsible Political Office Bearers that will uphold the constitution at all times; furthermore, as Political Office Bearers we believe we had appointed suitably qualified professionals to administrate this Budget meticulously and having the interest of the people at heart. It is in our interest to make !Kheis Municipality our competitive and attractive entity to both domestic and foreign investors.

This budget is a forecast of revenue and expenditure, it is a projection of future financial activities and must be used as aguiding tool. It would be a futile exercise when this tool is not utilised to achieve our developmental imperatives to change the lives of the !Kheis communities.

The budget is a planning tool and instrument to manage public funds to improve the quality of life of all our people, and this we do through planning, allocation, control and proper accounting.

We do acknowledge that the municipality is not a profit making organization and must be maintained as a going concern; therefore acknowledging the increasing cost of service delivery. We are forever adapting our strategies to suit prevailing economic circumstances, as we cannot isolate ourselves from the global economy.

Our biggest challenge is unemployment and to stimulate the rural economy. Although our focus is shamelessly pro poor, we have come to the realisation that with our own resources only we would be unable to achieve significant change in the municipal area. We need the goodwill and intervention of all government departments, state owned enterprises, the private sector and civil society.

The Council use this opportunity to govern and change people's lives with strategic interventions, especially the deprived and unemployed. We are working tirelessly to unlock

I thank you!

1.2 Council resolutions

On 03 April 2017 the Council of !Kheis Municipality met in the Council Chambers to consider the Annual Budget of the municipality for the financial year 2017/2018 and the two outer years. The Council, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopt the following resolutions:

1.1 The annual budget of the municipality for the financial year 2017/2018 and the multi-year and single-year capital appropriations as set out in the following tables:

1.1.1 Budgeted Financial Performance (revenue and expenditure by standard classification)

1.1.2 Budgeted and Financial performance (revenue and expenditure by municipal vote)

1.1.3 Budgeted Financial Performance (revenue by source and expenditure by type); and

1.1.4 Multi-year and single-year capital appropriations by municipal vote and standard classification funding by source.

1.2 The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

1.2.1 Budgeted Financial Position

1.2.2 Budgeted Cash Flows

1.2.3 Cash Backed reserves and accumulated surplus reconciliation

1.2.4 Asset Management; and

1.2.5 Basic Service Delivery Measurement

2. The Council of !Kheis Municipality, acting in terms of section 75A of the Local Government Municipal Systems Act (Act 32 of 2000), approves and adopt with effect from 1 July 2015 the following tariffs for all services:

2.1 The tariffs for property rates

2.2 The tariffs for supply of water

2.3 The tariffs for sanitation services

3. The Council of !Kheis Municipality, acting in terms of section 75A of the Local Government Municipal Systems Act (Act 32 of 2000), approves and adopt with effect from 1 July 2017 the tariffs for other services.

4. To give proper effect to the municipality's draft annual budget, the Council of !Kheis Municipality approves:

be affordable to our communities, particularly the unemployed, the vulnerable and indigents.

- Aging and poorly maintained water and roads infrastructure.
- Unavailability of own funding for capital budget; and
- Inability to raise capital
- The on-going difficulties in the national and local economy.
- Implementation of municipal Standard Charts of Account, municipal funds
- Reinstatement of suspended employees and to make provision for them in the mSCOA organizational structure.
- Preparation and finalisation of the 2017/18 organizational structure with relevant salary scales.
- Interest on outstanding debt.

The following budget principles and guidelines directly informed the compilation of the 2017/2018 MTREF.

- The 2017/18 Approved Budget priorities and targets, as well as the base line allocations contained in that Approved Budget were adopted as the upper limits for the new baselines for the 2017/2018 Draft MTREF Budget.
- Compliance with laws and regulations
- Previous commitments and existing contracts
- Affordability of tariff and property rate increases in line with inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs.
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.
- The budget must be spent in full, and all grants must be utilised in full.

In view of the aforementioned, the following table is a consolidated overview of the 2017/2018 mSCOA Medium-Term Revenue and Expenditure Framework.

Table 1 Consolidated Overview of the 2017/18 MTREF

R Thousand	Approved Budget 17/18	BudgetYear18/19	Budget Year+1 19/20	Budget Year +2 20/21
	R'000	R'000'	R'000'	R'000'
Total Operating Revenue	44 920	47 652	50 545	
Total Operating Expenditure	62 039	64 754	68 640	
Surplus/(Deficit)	(17 519)	(18 722)	(18 741)	
Total Capital Expenditure	18 298	19 108	19 964	

Total operating revenue has increase by 1% for the 2017/18 financial year compared to the 2016/17 Approved Adjustment Budget, due to the following reasons:

- increase in property rates payments, property rates reconciliations with stands in the municipal environment,
- increase in service charges and

- Achievement of full cost recovery of specific user charges especially in the relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recovery costs;
- The municipality's Indigents Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the 2016/2017 MTREF revenue (classified by main revenue source):

Table 2 Summary of revenue classified by revenue source

Table 3 Percentage growth of revenue by main revenue source

NC084 !Kheis - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	–	–	–	–	–	–	–	4 703	4 985	5 284
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	4 820	5 109	5 416
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	1 860	1 972	2 090
Service charges - refuse revenue	2	–	–	–	–	–	–	–	2 651	2 810	2 978
Service charges - other									–	–	–
Rental of facilities and equipment									549	549	549
Interest earned - external investments									245	260	275
Interest earned - outstanding debtors									150	159	169
Dividends received										–	–
Fines, penalties and forfeits									64	68	72
Licences and permits									8	9	9
Agency services									1 710	1 813	1 921
Transfers and subsidies									25 186	25 534	28 170
Other revenue	2	–	–	–	–	–	–	–	2 228	2 399	2 576
Gains on disposal of PPE									746	791	838
Total Revenue (excluding capital transfers and contributions)		–	–	–	–	–	–	–	44 920	47 552	50 545

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. In the 2016/2017 adjusted budget, revenue from rates and services charges total R9.3million. Revenue particularly from property rates has increased by 5.67% from 2016/17 mainly due to the proposed annual increase indicated by National Treasury. This amount might increase, depending on the developments currently taking place in the municipal area. Supplementary property valuations will also be conducted on those properties in terms of Municipal Property Rates Act in 2014. The municipality previously lost significant amounts of revenue due to incorrect billing of such properties for rates and taxes. Water revenue has also seen slight increase of 6%, from 2016/2017. The water department plans to reduce water losses from the current levels to about acceptable levels. The process will involve tight monitoring of the water distribution network as well as eliminating failures in water distribution equipment. More water is expected to be tapped from the municipal water plants to ease water deficiencies in various parts of !Kheis Municipal area. Distribution losses reports will be complied and submitted on a monthly basis to measure and minimize water losses/revenue losses in the municipal area.

affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Excessive increases are likely to be counterproductive, resulting in higher levels of non- payment. Bases on these National Treasury also encourage municipalities to look at the economic factor to also determine if the charges of services are market related or not, this can result in undercharge of services which is not good in terms of cash flow for the municipality in comparison to the cost to supply the service. Tariffs will be determined by taking the cost of supplying the service to determine to tariff suitable to charge per unit cost. Currently the municipality can't measure whether the tariffs are cost effective and with the implementation of mscoa at the 01 July 2017 we will be able to measure it.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. Property rates tariffs are based on the latest property valuations which were conducted during 2014/2015 by DDP Valuers. The following valuation will take place during the 2017/18 financial year which will have a partial impact on the property rates for the financial year under review.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0.25:1. The implementation of these regulations was done in the 2009/2010 budget process and the Property Rates Policy of the Municipality has been amended accordingly. The municipality reviewed the property rates policy and give it more detail on the calculation of property rates on different categories, sub categories and the main purpose of use. The following stipulations in the Property Rates Policyare highlighted:

- The first R15 000 of the market value of the property used for residential purposes is excluded from the rate-able value(Section 17(h) of the MPRA);
- 100% rebate may be granted to registered indigents in terms of the Customer Care, Credit Control, Debt Collection and Indigent Support Policy;

Should the use or ownership or circumstances used to approve exemption from payment of assessment rates change, such exemptions will immediately lapse from date of change.

1.4.2 Sale of Water and Impact of Tariff Increases

!Kheis Municipality is the Water Service Authority and Boegoeberg Water Users Association is the Water Service Provider in the area. The Municipality manage the provision of drinking water and waste water management.

The Municipality Blue Drop and Green Drop performance ratings as determined by the Department of Water Affairs are as follows:

BRANDBOOM BLUE DROP

Supply Area's:

Die gemeenskap van Brandboom/Boegoeberg

Treatment:

Current Water Quality:

Microbiological Water Quality Compliance Warning (*Not Monitored*) !
With Operational (*Not Monitored*) non compliance.

Blue Drop Status:

2009 (Blue Drop Report 2010) not participated.
2010 (Blue Drop Report 2011) 52.4%
2011 (Blue Drop Report 2012) 40.79%

Regulatory Comments:

The Blue Drop performance of Kheis Local Municipality remained constant. The Department Water Affairs was, however, presented with evidence to confirm that the water safety planning process is underway in each of the supply systems. The DWA trusts that risks identified in this process and adaptations to both monitoring programmes and treatment processes will result in future performance improvements.
The WSA is now encouraged to take ownership of the process by addressing site specific risks. Without data to confirm that a full set of SANS 241 analyses had been conducted in each of the supply systems, the revised monitoring programmes cannot be deemed appropriate. Information will be also required in future to confirm the risks that apply to the various raw water sources that are treated.

To ensure improved drinking water quality management, Kheis Local Municipality management is required to provide leadership and funding for the required asset management activities. Detailed process audits are required at each of the treatment systems, the asset register should be updated to include assets of the Gariep supply systems, and the WSA is advised to confirm the accuracy of information provided related to financial planning and expenditure. Officials also had difficulty providing confirmed data regarding the design and actual operating capacities of the various treatment systems; updated information is required to be readily available for day-to-day operational business and Blue Drop assessments.

Excellent Microbiological Water Quality Compliance but with Operational (*Not Monitored*) non compliance.

Blue Drop Status:
2009 (Blue Drop Report 2010) not participated.
2010 (Blue Drop Report 2011) 54.5%
2011 (Blue Drop Report 2012) 54.28%

Regulatory Comments:

The Blue Drop performance of Kheis Local Municipality remained constant. The Department was, however, presented with evidence to confirm that the water safety planning process is underway in each of the supply systems. The DWA trusts that risks identified in this process and adaptations to both monitoring programmes and treatment processes will result in future performance improvements.
The WSA is now encouraged to take ownership of the process by addressing site specific risks. Without data to confirm that a full set of SANS 241 analyses had been conducted in each of the supply systems, the revised monitoring programmes cannot be deemed appropriate. Information will be also required in future to confirm the risks that apply to the various raw water sources that are treated.

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GROOTDRINK

Supply Area's:
Die gemeenskap van Grootdrink
Treatment:
Current Water Quality:

Excellent Microbiological Water Quality Compliance but with Operational (*Not Monitored*) non compliance.

Blue Drop Status:
2009 (Blue Drop Report 2010) not participated.
2010 (Blue Drop Report 2011) 52.6%

identified in this process and adaptations to both monitoring programmes and treatment processes will result in future performance improvements.
The WSA is now encouraged to take ownership of the process by addressing site specific risks. Without data to confirm that a full set of SANS 241 analyses had been conducted in each of the supply systems, the revised monitoring programmes cannot be deemed appropriate. Information will be also required in future to confirm the risks that apply to the various raw water sources that are treated.

To ensure improved drinking water quality management, Kheis Local Municipality management is required to provide leadership and funding for the required asset management activities. Detailed process audits are required at each of the treatment systems, the asset register should be updated to include assets of the Gariep supply systems, and the WSA is advised to confirm the accuracy of information provided related to financial planning and expenditure. Officials also had difficulty providing confirmed data regarding the design and actual operating capacities of the various treatment systems; updated information is required to be readily available for day-to-day operational business and Blue Drop assessments.

WEGDRAAI

Supply Area's:

Die gemeenskap van Wegdraai

Treatment:

Current Water Quality:

Microbiological Water Quality Compliance Warning (*Not Monitored*)!
With
Operational (*Not Monitored*) non compliance.

Blue Drop Status:

2009 (Blue Drop Report 2010) not participated.
2010 (Blue Drop Report 2011) 51.47%
2011 (Blue Drop Report 2012) 55%

Regulatory Comments:

The Blue Drop performance of Kheis Local Municipality remained constant. The Department was, however, presented with evidence to confirm that the water safety planning process is underway in each of the supply systems. The DWA trusts that risks identified in this process

and adaptations to both monitoring programmes and treatment processes will result in future performance improvements.
The WSA is now encouraged to take ownership of the process by addressing site specific risks. Without data to confirm that a full set of SANS 241 analyses had been conducted in

capacity to improve the scores from previous years to achieve the 90% mark and more. The actions to be taken should therefore be implemented and monitored on a regular time frame to achieve these results.The Department of Water Affairs is giving sufficient assistance to the Municipality and we commend their support.

WATER SAFETY PLAN FOR 2017/18 FINANCIAL YEAR

The Water Safety Plan (WSP) was compiled for the water supply area of !Kheis Local Municipality, ZF Mgcawu District Municipality, Northern Cape.

This document addresses the critical water quality management such as the water safety planning processes, full system assessments that include inspections of the catchment, water treatment works and the distribution system.

The plan also includes the evaluation of the risk informed water quality monitoring programmes, the data submission on the BDS and the water quality over 12 months.

SCORING / RATING SYSTEM	SCORE OBTAINED	STATUS
Site inspection	56%	Good
High Risk Identified	47%	Good
Microbiological water quality	58%	Bad
Overall impression on risk management	**54**	Fair

The overall impression score of 54% is average which indicates that only basic water management is being addressed within the current resources available and not risk based as required by the water safety planning process.

Raw water is extracted from the Orange River as well as from the canal in most of the areas within the Municipality into the raw water dams. Most risks like the insufficient safety and security of the water treatment works, unqualified process controllers and supervisors and no routine maintenance programmes were identified as major risks in this supply areas.

The areas that complete the !Kheis Municipal boundaries are Groblershoop, Boegoeberg, Opwag, Zumaville, Wegdraai, Topline, Grootdrink and Gariep.

The !Kheis Municipality will take ownership of the water safety plan, an improvement plan to mitigate the hazards should be compiled. Champions of this plan should be identified and an allocation as well as time frame should be included into the implementation plan.

More information is available that will outline the whole water safety plan process on request.

This plan should be a working document and should be updated with time.

1.4.3 Sanitation and Impact of Tariff Increases

A tariff increase of 6% for sanitation from 1 July 2016 is proposed. This is based on the input cost assumptions related to water. It should be noted that water costs contributes approximately 92 per cent of waste water treatment input costs. The following factors also contribute to the proposed tariff increase: .

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation (100 per cent of 6 kl water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R1.8million for the2017/18 financial year.

At the moment only a basic charge is levied per erven for sanitation services rendered by the municipality.

1.4.4 Waste Removal and Impact of Tariff Increases

A 6 % increase in the waste removal tariff is proposed from 1 July 2016. Any increase higher than 6.0 % would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debts.

The following table compares current and proposed amounts payable from 1 July 2015:

Table 6 Comparison between current waste removal fees and increases

Detail	Tariff 01July 2016	Tariff 01July 2017
Sanitation		
Households (Subsidy)	87.72	98.56
Households	87.72	98.56
Business	109.65	123.20

Electricity: Consumption										–	–
Water: Basic levy					68,29	68,29	68,29		72,38	76,73	81,33
Water: Consumption					403,35	403,35	403,35		427,55	453,21	480,40
Sanitation					92,98	92,98	92,98		98,56	104,48	110,74
Refuse removal					127,85	127,85	127,85		135,52	143,65	152,27
Other										–	–
sub-total		–	–	–	916,84	916,84	916,84	6,0%	971,85	1 030,16	1 091,97
VAT on Services											
Total small household bill:		–	–	–	916,84	916,84	916,84	6,0%	971,85	1 030,16	1 091,97
% increase/-decrease			–	–	–	–	–		6,0%	6,0%	6,0%
					-	-	-				
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates					54,31	54,31	54,31	6,0%	57,57	61,03	64,69
Electricity: Basic levy					–	–	–		–	–	–
Electricity: Consumption					–	–	–		–	–	–
Water: Basic levy					68,29	68,29	68,29	6,0%	72,38	76,73	81,33
Water: Consumption					33,43	33,43	33,43	6,0%	35,44	37,56	39,82
Sanitation					92,98	92,98	92,98	6,0%	98,56	104,48	110,74
Refuse removal					127,85	127,85	127,85	6,0%	135,52	143,65	152,27
Other										–	–
sub-total		–	–	–	376,86	376,86	376,86	6,0%	399,47	423,44	448,85
VAT on Services											
Total small household bill:		–	–	–	376,86	376,86	376,86	6,0%	399,47	423,44	448,85
% increase/-decrease			–	–	–	–	–		6,0%	6,0%	6,0%

1.5 Operating Expenditure Framework

The municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

The assets renewal strategy and repairs and maintenance plan;

- Balanced budget constraint (operating expenditure should not exceed operating revenue)
- Funding of the budget over medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core service; and
- Strict adherence to the principle of no project plan no budget. If there is no business plan no funding allocation can be made.

implementing of the credit control and debt collection policy which is amended and discussed with community for input. The municipality is in a process of developing a revenue strategy which will help the municipality in realising budgeted revenue.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R3.4 million for the 2017/18 financial and equates to 5.5% of the total operating expenditure. This decrease of depreciation attributes to the disposal of moveable assets. During 2016/17 financial year depreciation was calculated to 6% of the operating budget from prior year and did not take into account the possible audit outcome which was 33.9% less. Please note that the implementation of GRAP 17 accounting standard has bring a range of assets previously not included in the assets register onto the register. i.e Heritage assets, unbundling of infrastructure assets and componentisation of property plant and equipment.

Finance charges: The municipality did not budget for finance charges due to the fact that we will not make use of long term borrowings for the 2017/18 financial year.

Bulk purchases are directly informed by the purchase of water from Boegoeberg Water Users Association. The annual price increases have been factored into the budget appropriations and directly inform the revenue forecasts for 2017/18 financial year of 6%. Bulk purchases expenditures inherently include distribution losses. We are in process of calculating the water distribution losses.

Other expenditure comprises of various line items relating to the daily operations of the municipality. It comprises amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the municipality's infrastructure and contribute also to service delivery.

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the 2017/18 budget and MTREF provide for extensive growth in the area of asset maintenance, and must be informed by the asset renewal strategy and repairs and maintenance plan of the municipality.

During the compilation of the 2017/2018 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the ageing of the municipality's infrastructure and historic deferred maintenance. The total allocation for 2017/18 equates to R2,2 million, a growth of 5.6% in relation to the Original Budget of 2016/17 and continues to grow at 6% over the MTREF.. In relation to the total operating expenditure, repairs and maintenance comprises of 3.6%.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 10 Repairs and maintenance per asset class

Waste Transfer Stations										
Waste Processing Facilities										
Waste Drop-off Points										
Waste Separation Facilities										
Electricity Generation Facilities										
Capital Spares										
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Rail Lines										
Rail Structures										
Rail Furniture										
Drainage Collection										
Storm water Conveyance										
Attenuation										
MV Substations										
LV Networks										
Capital Spares										
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Sand Pumps										
Piers										
Revetments										
Promenades										
Capital Spares										
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Data Centres										
Core Layers										
Distribution Layers										
Capital Spares										
Community Assets		–	–	–	–	–	–	70	74	78
Community Facilities		–	–	–	–	–	–	70	74	78
Halls								70	74	78
Centres										
Crèches										
Clinics/Care Centres										
Fire/Ambulance Stations										
Testing Stations										
Museums										
Galleries										
Theatres										
Libraries										
Cemeteries/Crematoria										
Police										
Puts										
Public Open Space										
Nature Reserves										
Public Ablution Facilities										
Markets										
Stalls										

		–	–	–	–	–	–			
Water Rights										
Effluent Licenses										
Solid Waste Licenses										
Computer Software and Applications										
Load Settlement Software Applications										
Unspecified										
Computer Equipment		–	–	–	–	–	–	–	–	–
Computer Equipment										
Furniture and Office Equipment		–	–	–	–	–	–	1 157	1 226	1 300
Furniture and Office Equipment								1 157	1 226	1 300
Machinery and Equipment		–	–	–	–	–	–	–	–	–
Machinery and Equipment										
Transport Assets		–	–	–	–	–	–	–	–	–
Transport Assets										
Libraries		–	–	–	–	–	–	–	–	–
Libraries										
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals										
Total Repairs and Maintenance Expenditure	1	–	–	–	–	–	–	2 217	2 350	2 491
R&M as a % of PPE		*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*1,3%*	*1,3%*
R&M as % Operating Expenditure		*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*3,8%*	*3,8%*

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigents Policy. The municipality currently provide registered indigent households within the Government norms and standards of 6kl of free water and 50 amp electricity. The target is to register more indigent households during the 2017/18 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic services measurement is contained in:

Table 24 MBRR A10 (Basic Service Delivery Measurements) .

Energy:										
Electricity (at least min.service level)		–	–	–	–	–	–	2 198	2 330	2 470
Electricity - prepaid (min.service level)		–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total		–	–	–	–	–	–	2 198	2 330	2 470
Electricity (< min.service level)		–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)		–	–	–	–	–	–	–	–	–
Other energy sources		–	–	–	–	–	–	500	530	562
Below Minimum Service Level sub-total		–	–	–	–	–	–	500	530	562
Total number of households	5	–	–	–	–	–	–	2 698	2 860	3 031
Refuse:										
Removed at least once a week		–	–	–	–	–	–	3 972	4 210	4 463
Minimum Service Level and Above sub-total		–	–	–	–	–	–	3 972	4 210	4 463
Removed less frequently than once a week		–	–	–	–	–	–	–	–	–
Using communal refuse dump		–	–	–	–	–	–	–	–	–
Using own refuse dump		–	–	–	–	–	–	–	–	–
Other rubbish disposal		–	–	–	–	–	–	–	–	–
No rubbish disposal		–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	–	–	–	–	–	–	3 972	4 210	4 463
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		–	–	–	–	–	–	1 556	1 649	1 748
Sanitation (free minimum level service)		–	–	–	–	–	–	1 556	1 649	1 748
Electricity/other energy (50kwh per household per month)		–	–	–	–	–	–	1 556	1 649	1 748
Refuse (removed at least once a week)		–	–	–	–	–	–	1 556	1 649	1 748
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		–	–	–	–	–	–	17	18	19
Sanitation (free sanitation service to indigent households)		–	–	–	–	–	–	175	185	196
Electricity/other energy (50kwh per indigent household per month)		–	–	–	–	–	–	674	715	758

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 11 2017/18 Medium-term capital budget per vote

NC084 !Kheis - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER		–	–	–	–	–	–	–	–	–	–
Vote 2 - DIRECTORATE CORPORATE SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 3 - DIRECTORATE FINANCIAL ADMINISTRATION		–	–	–	–	–	–	–	–	–	–
Vote 4 - DIRECTORATE COMMUNITY SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 5 - DIRECTORATE TECHNICAL SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 6 - DIRECTORATE CLEANING SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 7 - DIRECTORATE WASTE WATER MANAGEMENT		–	–	–	–	–	–	–	–	–	–
Vote 8 - COUNCIL		–	–	–	–	–	–	–	–	–	–
Vote 9 - DIRECTORATE WATER MANAGEMENT		–	–	–	–	–	–	–	–	–	–
Vote 10 - TRAFFIC SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 11 -		–	–	–	–	–	–	–	–	–	–
Vote 12 -		–	–	–	–	–	–	–	–	–	–
Vote 13 -		–	–	–	–	–	–	–	–	–	–
Vote 14 -		–	–	–	–	–	–	–	–	–	–
Vote 15 -		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	–	–	–	–	–	–	–	–	–	–
Single-year expenditure *to be appropriated*	2										
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER		–	–	–	–	–	–	–	–	–	–
Vote 2 - DIRECTORATE CORPORATE SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 3 - DIRECTORATE FINANCIAL ADMINISTRATION		–	–	–	–	–	–	–	–	–	–
Vote 4 - DIRECTORATE COMMUNITY SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 5 - DIRECTORATE TECHNICAL SERVICES		–	–	–	–	–	–	–	6 200	6 200	6 200
Vote 6 - DIRECTORATE CLEANING SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 7 - DIRECTORATE WASTE WATER MANAGEMENT		–	–	–	–	–	–	–	4 598	4 958	5 337
Vote 8 - COUNCIL		–	–	–	–	–	–	–	–	–	–

Further details relating to asset classes and proposed capital expenditure is contained in Table 23 MBRR A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Sanitation infrastructure - R 4.5 million
- EPWP - R 1 million
- Roads - R 6.2 million
- Water network – Wegdraai and Grootdrink - R 7.5 million

1.7 Drafted Annual Budget Tables (A1 – A10)

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF to be considered for approval by council. Each table is accompanied by explanatory notes.

Table 12 MBRR Table A1- Budget Summary

NC084 !Kheis - Table A1 Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Financial Performance										
Property rates	–	–	–	–	–	–	–	4 303	4 561	4 835
Service charges	–	–	–	–	–	–	–	9 331	9 891	10 485
Investment revenue	–	–	–	–	–	–	–	245	260	275
Transfers recognised - operational	–	–	–	–	–	–	–	25 186	26 697	28 299
Other own revenue	–	–	–	–	–	–	–	5 455	5 819	6 202
Total Revenue (excluding capital transfers and contributions)	–	–	–	–	–	–	–	44 520	47 228	50 095
Employee costs	–	–	–	–	–	–	–	27 612	29 269	31 025
Remuneration of councillors	–	–	–	–	–	–	–	3 061	3 265	3 461
Depreciation & asset impairment	–	–	–	–	–	–	–	3 413	3 618	3 835
Finance charges	–	–	–	–	–	–	–	–	–	–
Materials and bulk purchases	–	–	–	–	–	–	–	3 487	3 697	3 918
Transfers and grants	–	–	–	–	–	–	–	-	-	-
Other expenditure	–	–	–	–	–	–	–	23 114	23 483	24 892
Total Expenditure	–	–	–	–	–	–	–	60 707	63 332	67 132
Surplus/(Deficit)	–	–	–	–	–	–	–	(16 187)	(16 103)	(17 037)
Transfers and subsidies - capital (monetary allocations)								18 298	19 108	19 954

Energy:	–	–	–	–	–	–	1	1	1	1
Refuse:	–	–	–	–	–	–	–	–	–	–

Explanatory notes to MBRR Table A1-Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspective (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

2. The table provides an overview of the amounts to be considered for approval by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

a. The operating surplus/deficit (after Total Expenditure) is positive over MTREF
b. Capital expenditure is balanced by capital funding sources, of which
    i. Transfers recognised is reflected on the Financial Performance Budget;

    ii. Internally generated funds are financed from a combination of the current operating surplus. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, indicates that the necessary cash resources are available to fund the Capital Budget

4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Over the MTREF there is progressive improvement in the level of cash-backing of obligations.

5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of service to the poor. The section of Free Service shows that the amount spent on Free Basic Service and

		–	–	–	–	–	–			
Sport and recreation		–	–	–	–	–	–			
Public safety		–	–	–	–	–	–	6 238	5 552	5 885
Housing		–	–	–	–	–	–			
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		–	–	–	–	–	–	5 871	6 223	6 597
Planning and development		–	–	–	–	–	–	2 566	2 719	2 883
Road transport		–	–	–	–	–	–	3 306	3 504	3 714
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		–	–	–	–	–	–	12 060	12 784	13 551
Energy sources		–	–	–	–	–	–	–	–	–
Water management		–	–	–	–	–	–	7 663	8 123	8 611
Waste water management		–	–	–	–	–	–	4 397	4 661	4 940
Waste management		–	–	–	–	–	–	–	–	–
Other	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Functional	3	–	–	–	–	–	–	60 707	63 332	67 132
Surplus/(Deficit) for the year		–	–	–	–	–	–	2 110	3 004	2 927

Explanatory notes to MBRR A2- Budget Financial Performance (revenue and expenditure by standard by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2. Note the Total Revenue on this table includes capital revenues (Transfers recognised-capital) and so does not balance to the operating revenue on Table A4.

3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's structure.

5. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Table 14 MBRR Table A3- Budget Financial Performance (revenue and expenditure by municipal vote)

Explanatory notes to MBRR Table A3- Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality.

Table 15 MBRR A4- Budgeted Financial Performance (revenue and expenditure)

NC084 !Kheis - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	–	–	–	–	–	–	–	4 303	4 561	4 835
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	4 820	5 109	5 416
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	1 860	1 972	2 090
Service charges - refuse revenue	2	–	–	–	–	–	–	–	2 651	2 810	2 978
Service charges - other									–	–	–
Rental of facilities and equipment									549	582	617
Interest earned - external investments									245	260	275
Interest earned - outstanding debtors									150	159	169
Dividends received										–	–
Fines, penalties and forfeits									64	68	72
Licences and permits									8	9	9
Agency services									1 710	1 813	1 921
Transfers and subsidies									25 186	26 697	28 299
Other revenue	2	–	–	–	–	–	–	–	2 228	2 399	2 576
Gains on disposal of PPE									746	791	838
Total Revenue (excluding capital transfers and contributions)		–	–	–	–	–	–	–	44 520	47 228	50 095
Expenditure By Type	-										
Employee related costs	2	–	–	–	–	–	–	–	26 640	28 238	29 933
Remuneration of councillors									3 081	3 265	3 461
Debt impairment	3								5 535	5 889	6 242
Depreciation & asset impairment	2	–	–	–	–	–	–	–	3 413	3 618	3 835
Finance charges											
Bulk purchases	2	–	–	–	–	–	–	–	1 270	1 347	1 427
Other materials	8								2 217	2 350	2 491
Contracted services		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		–	–	–	–	–	–	–	-	-	-
Other expenditure	4,								17 579	17 594	18 650

5. Bulk purchases inconsistencies have been mainly caused by water distribution losses, hence the need to priorities on repairs and maintenance of infrastructure. We are in process of determining the actual distribution losses.

6. Employee related costs and bulk purchases are main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 16 MBRR Table A5 Budgeted Capital Expenditure by vote, standard classification and funding source

NC084 !Kheis - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER		–	–	–	–	–	–	–	–	–	–
Vote 2 - DIRECTORATE CORPORATE SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 3 - DIRECTORATE FINANCIAL ADMINISTRATION		–	–	–	–	–	–	–	–	–	–
Vote 4 - DIRECTORATE COMMUNITY SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 5 - DIRECTORATE TECHNICAL SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 6 - DIRECTORATE CLEANING SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 7 - DIRECTORATE WASTE WATER MANAGEMENT		–	–	–	–	–	–	–	–	–	–
Vote 8 - COUNCIL		–	–	–	–	–	–	–	–	–	–
Vote 9 - DIRECTORATE WATER MANAGEMENT		–	–	–	–	–	–	–	–	–	–
Vote 10 - TRAFFIC SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 11 -		–	–	–	–	–	–	–	–	–	–
Vote 12 -		–	–	–	–	–	–	–	–	–	–
Vote 13 -		–	–	–	–	–	–	–	–	–	–
Vote 14 -		–	–	–	–	–	–	–	–	–	–
Vote 15 -		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	–	–	–	–	–	–	–	–	–	–
Single-year expenditure *to be appropriated*	2										
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER		–	–	–	–	–	–	–	–	–	–
Vote 2 - DIRECTORATE CORPORATE SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 3 - DIRECTORATE FINANCIAL ADMINISTRATION		–	–	–	–	–	–	–	–	–	–
Vote 4 - DIRECTORATE COMMUNITY SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 5 - DIRECTORATE TECHNICAL SERVICES		–	–	–	–	–	–	–	6 200	6 200	6 200
Vote 6 - DIRECTORATE CLEANING SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 7 - DIRECTORATE WASTE WATER MANAGEMENT		–	–	–	–	–	–	–	4 598	4 958	5 337

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi- year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialised tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

3. The capital programme is funded from national grants and transfers, public contributions and donations, and internally generated funds from current year surpluses. For 2017/18, capital transfers totals R18.29 million. No borrowing is intended to finance any of the capital budgets during the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding)

Table 17 MBRR Table A6- Budgeted Financial Position

NC084 !Kheis - Table A6 Budgeted Financial Position

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
ASSETS											
Current assets											
Cash											
Call investment deposits	1	–	–	–	–	–	–	–	600	636	674
Consumer debtors	1	–	–	–	–	–	–	–	25 568	27 102	28 728
Other debtors									1 530	1 622	1 719
Current portion of long-term receivables											
Inventory	2										
Total current assets		–	–	–	–	–	–	–	27 698	29 360	31 122
Non current assets											
Long-term receivables											
Investments											
Investment property											
Investment in Associate											
Property, plant and equipment	3	–	–	–	–	–	–	–	179 624	195 115	211 244
Agricultural											
Biological											
Intangible											
Other non-current assets											
Total non current assets		–	–	–	–	–	–	–	179 624	195 115	211 244

4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community

6. Any movement on the Budgeted Financial Performance or Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 18 MBRR Table A7- Budgeted Cash Flow Statement

NC084 !Kheis - Table A7 Budgeted Cash Flows

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates									2 152	2 509	2 659
Service charges									4 883	5 694	6 035
Other revenue									4 559	4 837	5 127
Government - operating	1								25 186	26 534	28 170
Government - capital	1								18 298	19 108	19 964
Interest									395	419	444
Dividends											
Payments											
Suppliers and employees									(51 759)	(53 825)	(57 054)
Finance charges											
Transfers and Grants	1										
NET CASH FROM/(USED) OPERATING ACTIVITIES		–	–	–	–	–	–	–	3 714	4 276	5 345
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									746	791	838
Decrease (Increase) in non-current debtors									–	–	–
Decrease (increase) other non-current receivables									–	–	–
Decrease (Increase) in non-current investments									–	–	–
Payments											
Capital assets									(18 298)	(19 108)	(19 964)
NET CASH FROM/(USED) INVESTING ACTIVITIES		–	–	–	–	–	–	–	(17 552)	(18 317)	(19 126)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									–	–	–

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

Explanatory notes to Table A9 – Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

NC084 !Kheis - Table A10 Basic service delivery measurement

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Household service targets	1									
Water:										
Piped water inside dwelling		–	–	–	–	–	–	2 684	2 845	3 016
Piped water inside yard (but not in dwelling)		–	–	–	–	–	–	–	–	–
Using public tap (at least min.service level)	2	–	–	–	–	–	–	342	363	384
Other water supply (at least min.service level)	4	–	–	–	–	–	–	1 288	1 365	1 447
Minimum Service Level and Above sub-total		–	–	–	–	–	–	4 314	4 573	4 847
Using public tap (< min.service level)	3	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	4	–	–	–	–	–	–	–	–	–
No water supply		–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	–	–	–	–	–	–	4 314	4 573	4 847
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		–	–	–	–	–	–	380	403	427
Flush toilet (with septic tank)		–	–	–	–	–	–	2 304	2 442	2 589
Chemical toilet		–	–	–	–	–	–	–	–	–
Pit toilet (ventilated)		–	–	–	–	–	–	–	–	–
Other toilet provisions (> min.service level)		–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total		–	–	–	–	–	–	2 684	2 845	3 016
Bucket toilet		–	–	–	–	–	–	–	–	–
Other toilet provisions (< min.service level)		–	–	–	–	–	–	–	–	–
No toilet provisions		–	–	–	–	–	–	160	170	180
Below Minimum Service Level sub-total		–	–	–	–	–	–	160	170	180
Total number of households	5	–	–	–	–	–	–	2 844	3 015	3 196
Energy:										
Electricity (at least min.service level)		–	–	–	–	–	–	2 198	2 330	2 470
Electricity - prepaid (min.service level)		–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total		–	–	–	–	–	–	2 198	2 330	2 470
Electricity (< min.service level)		–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)		–	–	–	–	–	–	–	–	–
Other energy sources		–	–	–	–	–	–	500	530	562
Below Minimum Service Level sub-total		–	–	–	–	–	–	500	530	562
Total number of households	5	–	–	–	–	–	–	2 698	2 860	3 031
Refuse:										
Removed at least once a week		–	–	–	–	–	–	3 972	4 210	4 463
Minimum Service Level and Above sub-total		–	–	–	–	–	–	3 972	4 210	4 463
Removed less frequently than once a week		–	–	–	–	–	–	–	–	–
Using communal refuse dump		–	–	–	–	–	–	–	–	–
Using own refuse dump		–	–	–	–	–	–	–	–	–
Other rubbish disposal		–	–	–	–	–	–	–	–	–
No rubbish disposal		–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	–	–	–	–	–	–	3 972	4 210	4 463
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		–	–	–	–	–	–	1 556	1 649	1 748
Sanitation (free minimum level service)		–	–	–	–	–	–	1 556	1 649	1 748
Electricity/other energy (50kwh per household per month)		–	–	–	–	–	–	1 556	1 649	1 748
Refuse (removed at least once a week)		–	–	–	–	–	–	1 556	1 649	1 748
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		–	–	–	–	–	–	17	18	19
Sanitation (free sanitation service to indigent households)		–	–	–	–	–	–	175	185	196
Electricity/other energy (50kwh per indigent household per month)		–	–	–	–	–	–	674	715	758
Refuse (removed once a week for indigent households)		–	–	–	–	–	–	243	258	273
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		–	–	–	–	–	–	–	–	–
Total cost of FBS provided		–	–	–	–	–	–	1 109	1 176	1 246
Highest level of free service provided per household										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissable values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissable values in excess of section 17 of MPRA)		–	–	–	–	–	–	–	–	–
Water (in excess of 6 kilolitres per indigent household per month)		–	–	–	–	–	–	–	–	–
Sanitation (in excess of free sanitation service to indigent households)		–	–	–	–	–	–	–	–	–
Electricity/other energy (in excess of 50 kwh per indigent household per month)		–	–	–	–	–	–	(674)	(715)	(758)
Refuse (in excess of one removal a week for indigent households)		–	–	–	–	–	–	–	–	–
Municipal Housing - rental rebates										
Housing - top structure subsidies	6									
Other										
Total revenue cost of subsidised services provided		–	–	–	–	–	–	(674)	(715)	(758)

Part2–SUPPORTING DOCUMENTATION

2.1Overviewoftheannualbudgetprocess

In terms of Section 30 of the Municipal Systems Act no 32 of 2000, the *Mayor of a municipality must in accordance with S 29 –*
"(c) Submit the draft plan to the municipal council for adoption by the council, further

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality chaired by the Municipal Manager.

The primary aims of the Budget Steering Committee are toensure:

- That the process followed to compile the budget complies with legislation and good budget practices;
- That there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- That the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2012) a time schedule that sets out the process to revise the IDP and prepare the budget.

Section 28 (1) of the Municipal Systems Act requires each municipality to adopt a process in writing to guide the planning, drafting, adoption and review of its Integrated Development Plan.

The Mayor tabled in Council the required the IDP and budget time schedule on 30August 2013. Key dates applicable to the process were:

January 2017	Entity board of directors must approve and submit proposed budget and plans for next three-year budgets to parent municipality at least 150 days before the start of the budget year **MFMA s 87(1)**	Accounting officer reviews proposed national and provincial allocations to municipality for incorporation into the draft budget for tabling. (Proposed national and provincial allocations for three years must be available by 20 January) **MFMA s 36**	31 January 2017 **Done**
February 2017	Council considers municipal entity proposed budget and service delivery plan and accepts or makes recommendations to the entity **MFMA s 87(2)**	Accounting officer finalises and submits to Mayor proposed budgets and plans for next three-year budgets taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous years audited financial statements and annual report Accounting officer to notify relevant municipalities of projected allocations for next three budget years 120 days prior to start of budget year **MFMA s 36(2)**	28 February 2017 **Done**
March 2017	Entity board of directors considers recommendations of parent municipality and submit revised budget by 22nd of month **MFMA s 87(2)** Mayor tables municipality budget of entities, resolutions, plans and proposed revisions to IDP at least 90 days before start of budget year **MFMA s 16,22,23, 87; MSA s 34**	Accounting officer publishes tabled budget, plans, and proposed revisions to IDP , invites local community comment and submits to NT, PT and others as prescribed **MFMA s 22 & 37; MSA Ch. 4 as amended** Accounting officer reviews any changes in prices for bulk resources as communicated by 15 March **MFMA s 42**	31 March 2017 **Done, in process**
April 2017	Consultation with national and provincial treasuries and finalise sector plans for water, sanitation, electricity etc. **MFMA s 21**	Accounting officer assists the Mayor in revising budget documentation in accordance with consultative processes and taking into account the results from the third quarterly review of the current year	28 April 2017 **Done**
May 2017	Public hearings on the budget, and council debate. Council consider views of the community, NT, PT, other provincial and national organs of state and municipalities mayor to be provided with an opportunity to respond to submissions during consultations and table amendments for council consideration. Council to consider approval of budget plans at least 30 days before start to budget year. **MFMA s 23,24; MSA Ch. as amended** Entity board of directors to approve the budget of the entity	Accounting officer assists the Mayor in preparing the final budget documentation for consideration for approval at least 30 days before the start of the budget year taking into account consultative processes and any other new information of a material nature	31 May 2017

The following projects were approved to be funded out of MIG

- Sanitation infrastructure - R 4.5 million
- Roads - R 6.2 million
- Water network – Wegdraai and Grootdrink - R 7.5 million

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the second review of the IDP as adopted by the new Council that was elected. It started in September 2016 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2016/17 MTREF in August.

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and Deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2015/2016 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/18 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2016/2017 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

The Draft Service Delivery and Budget Implementation Plan (SDBIP) with Draft Performance Agreements will be submitted to the Mayor after the approval of the Draft IDP and Budget; and the final SDBIP will be tabled to Council for approval with the Performance Agreements on the 31 May 2017 with the final IDP and Budget.

2.1.3 Financial Modelling and Key Planning Drivers

5As part of the compilation of the 2017/18 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2017/18 MTREF:

government in a coherent plan to improve the quality of life for the people living in that area. Applied to the municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategies (PGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic for the2017/18 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 22 IDP Strategic Objectives

Needs and issues as identified by the IDP Representative Forum during this Draft IDP Phase:

Noted that a final IDP Public Participation Process will take place in May 2017 in the various areas of !Kheis Municipality. However it is been envisage that more of the community priority needs may be added.

Issues as agreed upon by the IDP Steering Committee as well as IDP Representative Forum, for the Draft IDP Process in !Kheis Municipality are as follows:

- Lack of a well organized and effective systems and implemented policies and plans to manage and serve the whole Municipal Area
- Lack of proper and sufficient water provision in some of the areas
- Lack of proper and sufficient accommodation / housing
- Lack of good quality roads infrastructure, including storm water systems as well as efficient transport system
- Lack of proper and sufficient sanitation and sewerage systems to all residents
- Low levels of skilled people as well as high levels of poverty and unemployment
- Lack of quality health and emergency services and facilities
- Lack of sufficient cemeteries to cater for the increasing mortality rate
- Proper planning and development of Opwag
- Lack of sport and recreation facilities in some of the areas
- Lack of sufficient and effective telecommunication systems
- Lack of electricity provision to some residential areas

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the 12 strategic objectives mentioned above.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development to path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into twelve strategic priority areas as outlined below:

- Water and Sanitation
- Land and Housing
- Electricity
- Local Economic Development

Table 23 MBRR Table SA4 – Reconciliation between the IDP strategic objectives and budgeted revenue

NC084 !Kheis - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Basic and Sustainable Delivery	Water, cleaning services, Waste Removal, Sewerage									17 430	18 476	19 584
Municipal Infrastructure Development	Water, Public works, waste									1 016	1 079	1 144
Local Economic Development	Community Services									1 859	1 970	2 088
Municipal Finance Viability and Management	Finance									40 728	42 921	45 239
Good Governance and Public Participation	Executive & Council, Corporate Services											
Good Governance	Traffic, Road transport									1 784	1 891	2 004
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	–	–	–	–	–	–	62 818	66 336	70 059

Table 24 MBRR Table SA5 – Reconciliation between the IDP strategic objectives and budgeted operating expenditure

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality target, monitors, assesses and reviews organisational performance which in turn is directly to individual employee's performance.

At any time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

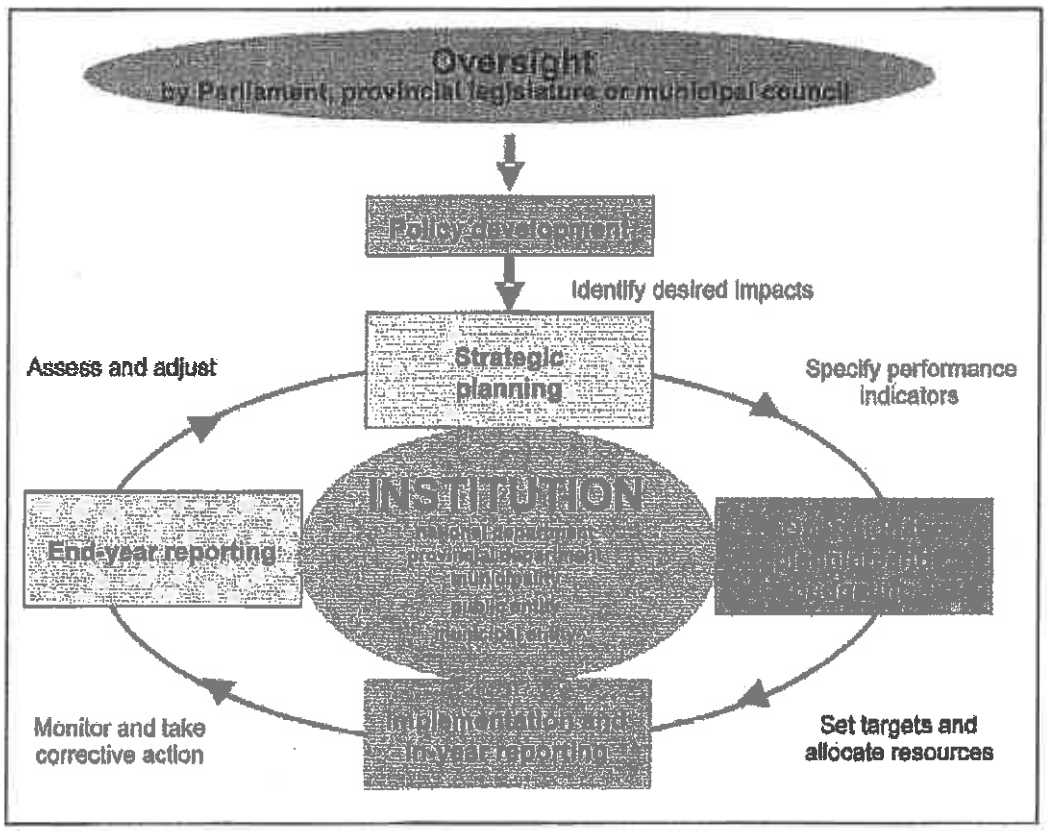

Figure 1 Planning, Budgeting and reporting cycle

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

Figure 2 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 26 MBRR Table SA7 – Measurable Performance objectives

N/A

The information is not available at this stage and will be included after the approval of the SDBIP.

Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within`MFMA' s 65(e))										
Creditors to Cash and Investments		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	-44,0%	41,3%	13,6%
Other Indicators											
	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
Water Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	59,6%	61,3%	60,0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%		0,0%	0,0%	0,0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%		5,0%	5,1%	5,0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	7,7%	7,9%	7,7%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	–	–	–	–	–	–	–	46,2	46,2	49,0
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	321,5%	322,2%	322,9%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	–	–	–	–	–	–	–	(4,7)	5,1	15,3

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash flow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intension of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

2.3.1.4 Creditors Management

The municipality strive to pay all creditors within the legislated 30 days of invoice. There is currently a dispute between the municipality.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality. Only registered indigents quality for the free basic services.

For the 2017/18 financial year more indigents have been provided for in the budget. In terms of the Municipality's indigent policy (attached as Annexure 4) registered households are entitled to 6kl fee water, free sanitation and free waste removal equivalent to once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic service, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in

2.3.3 Providing clean water and managing waste water

The municipality is the Water Service Authority for the entire municipality in terms of the Water Services Act,1997 and acts as water services provider. Approximately 90% of the municipality's bulk water needs are provided directly by Boegoeberg Water in the form of purified water.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Our blue Drop status was assessed as fair but our green drop status was not up to standard

The following is briefly the main challenges facing the municipality in this regard:

- Shortage of skilled personnel makes proper operations and maintenance difficult; and
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
- The filling of vacancies has commenced and Waste Water Division will embark on an in-house training programme, especially for operational personnel;

2.4 Overview of budget related-policies

The municipality's budgeting process is guided and governed by relevant legislation, framework, strategies and related policies.

2.4.1 Review of rates policy

The Rates Policy will be considered for approval by Council at the budget meeting of 28 June 2014. Amendments have been made with regard to the tariffs increases and the draft policy will be attached to that document. While the draft policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to accommodate all stakeholder views. Some of the possible revisions will include the need for full participation of relevant stakeholders when changing rebates on property rates every year. In addition the rebate structure is also likely to change to incorporate the views from the stakeholders.

2.4.2 Asset Management. Infrastructure Investment and Funding Policy

Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base. Within the framework, the need for asset maintenance was considered a priority and

compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved Adjustment Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investments possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

The above policy together with those listed below will be made available on the municipality's website, as well as:

- Property Rates Policy;
- Budget Policy; and
- Indigents Policy.
- Tariff Policy
- Credit Control and Debt Collection Policy
- Financial Code Policy
- Asset Management Policy
- Cash Management and Investment Policy
- Borrowing Policy; and
- Supply Chain Management Policy

2.5 Overview of budget assumptions

2.5.1 External factors

South Africa's economy has continued to grow, but at a slower rate than projected at the time of the 2014 Budget. GDP growth reached 2.6 per cent in 2013 and is expected to grow at 2.8 per cent in 2014, rising to 3.8 per cent in 2015. Inflation has remained moderate, with consumer prices rising by 5.7 per cent in 2012 and projected to increase by an average of 5.6 per cent a year over the period ahead.

Consequently, municipal revenues and cash flows are expected to gradually improve during 2017/18. However, given that the likely recovery is not guaranteed and, at best, is likely to be slow, the municipality still had to adopt a conservative approach in projecting expected revenues and cash receipts. This has also applied to managing all revenue and cash streams effectively, as well as evaluation of the spending decision.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.7 Ability of the municipality to spend and deliver on the programmes

NC084 !Kheis - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	–	–	–	–	–	–	–	4 303	4 561	4 835
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	4 820	5 109	5 416
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	1 860	1 972	2 090
Service charges - refuse revenue	2	–	–	–	–	–	–	–	2 651	2 810	2 978
Service charges - other									–	–	–
Rental of facilities and equipment									549	582	617
Interest earned - external investments									245	260	275
Interest earned - outstanding debtors									150	159	169
Dividends received										–	–
Fines, penalties and forfeits									64	68	72
Licences and permits									8	9	9
Agency services									1 710	1 813	1 921
Transfers and subsidies									25 186	26 697	28 299
Other revenue	2	–	–	–	–	–	–	–	2 228	2 399	2 576
Gains on disposal of PPE									746	791	838
Total Revenue (excluding capital transfers and contributions)		–	–	–	–	–	–	–	44 520	47 228	50 095
Expenditure By Type											
Employee related costs	2	–	–	–	–	–	–	–	27 612	29 269	31 025
Remuneration of councillors									3 061	3 265	3 461
Debt impairment	3								5 535	5 889	6 242
Depreciation & asset impairment	2	–	–	–	–	–	–	–	3 413	3 618	3 835
Finance charges											

its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal, property rates,
operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a high per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2017/18 MTREF on the different revenue categories are:

Table 29 Proposed tariff increases over medium-term

Description	2017/18Proposed tariff Increase
Property Rates	6%
Service Charges electricity	0%
Service charges water	6%
service charges sanitation	6%
service charges refuse	6%

Revenue to be generated from property rates is R4.0 million in the 2016/17 financial year and increases to R4.7 million by 2017/18 which represents 6% of the operating revenue base of the municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

Service charges relating to water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R8.457 million for the

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2013/14 medium-term capital programme:

Table 32 Sources of capital revenue over the MTREF

NC084 !Kheis - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2016/17				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Funded by:											
National Government									18 298	19 108	19 964
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4							–			
Public contributions & donations	5										
Borrowing	6										
internally generated funds											
Total Capital Funding	7							–	18 298	19 108	19 964

The above table is graphically represented as follows for the 2016/17 financial year.

Capital grants and receipts equates to 100% of the total funding source which represents R16.9 million for the 2016/17 financial year. Movement relating to grants receipts is a decline of 13.57% from 2013/2014 financial year due to the fact that two capital projects had been declined by MIG, because of the technical specifications.

Borrowing still remains an insignificant funding source for the capital programme over the medium-term with no new borrowing during the MTREF.

The following table is a detailed analysis of the municipality's borrowing liability.

Table 33 MBRR Table SA 17 – Detail of borrowings

The municipality had a borrowing from DBSA and it was settled April 2016. The municipality does not need any borrowings from any Financial institution.

Table 34 MBRR Table SA 18 – Capital transfers and grants receipts

NC084 !Kheis - Supporting Table SA18 Transfers and grant receipts

Regional Bulk Infrastructure								7 500	-	-
Other capital transfers/grants [insert desc]										
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	-	-	-	-	-	-	18 298	11 158	11 537
TOTAL RECEIPTS OF TRANSFERS & GRANTS		-	-	-	-	-	-	43 097	36 864	47 727

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium- term. The table below is consistent with international standards of good financial management practice and also improves councillors and management's ability to understand the cash flow management. Some specific features include:

- Clear separation of receipts payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the actual collection rate of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

cash levels. These initiatives and interventions are expected to translate into positive cash flows and ultimately an improvement on the cash position for the municipality

Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

NC084 !Kheis - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and investments available											
Cash/cash equivalents at the year end	1	–	–	–	–	–	–	–	(13 838)	(27 880)	(41 660)
Other current investments > 90 days		–	–	–	–	–	–	–	14 438	28 516	42 335
Non current assets - investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		–	–	–	–	–	–	–	600	636	674
Application of cash and investments											
Unspent conditional transfers		–	–	–	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2										
Other working capital requirements	3	–	–	–	–	–	–	–	(9 127)	(10 746)	(11 358)
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		–	–	–	–	–	–	–	(9 127)	(10 746)	(11 358)
Surplus(shortfall)		–	–	–	–	–	–	–	9 727	11 382	12 032

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non- compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected)

Table 36 MBRR Table A8 – cash backed reserves/accumulated surplus reconciliation

NC084 !Kheis - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and Investments available											
Cash/cash equivalents at the year end	1	–	–	–	–	–	–	–	(13 838)	(27 880)	(41 660)
Other current investments > 90 days		–	–	–	–	–	–	–	14 438	28 516	42 335
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and Investments available:		–	–	–	–	–	–	–	600	636	674
Application of cash and investments											
Unspent conditional transfers		–	–	–	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2										
Other working capital requirements	3	–	–	–	–	–	–	–	(9 127)	(10 746)	(11 358)
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		–	–	–	–	–	–	–	(9 127)	(10 746)	(11 358)
Surplus(shortfall)		–	–	–	–	–	–	–	9 727	11 382	12 032

From the above table it can be seen that the cash and investments availability total R686 thousand in the 2016/17 financial year and grows to R 770 thousand by 2018/19, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investment Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project.

- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipts delays will have a greater requirement for working capital, as was experienced by the municipality in 2012/13 resulting in cash flow challenges. Any underperformance in relation to collections could place upward pressure on the ability of the municipality to meet its financial obligations.

It can be concluded that the municipality focused to have a surplus against the cash backed and accumulated surpluses reconciliation. The challenge for the municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

2.6.4.1 Cash/ cash equivalent position

The municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements

Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 22. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under financial stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been strengthening for the period 2009/10 to 2016/2017.

Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution towards the economic benefits they are consuming over the medium term. For the 2016/17 MTREF the indicative outcome is a deficit of R 5 764, which will be funded through the capitalisation of depreciation on new assets as well as the revaluation of assets.

2.6.4.2 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

NC084 !Kheis - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		–	–	–	–	–	–	998	1 050	1 113
Roads Infrastructure		–	–	–	–	–	–	2	2	3
Roads								2	2	3
Water Supply Infrastructure		–	–	–	–	–	–	465	493	522
Distribution								465	493	522
Distribution Points										
PRV Stations										
Capital Spares										
Sanitation Infrastructure		–	–	–	–	–	–	523	555	588
Pump Station										
Reticulation								523	555	588
Data Centres										
Community Assets		–	–	–	–	–	–	70	74	78
Community Facilities		–	–	–	–	–	–	70	74	78
Halls								70	74	78
Centres										
Capital Spares										
		1	1	1	1	1	1	1	1	1
Furniture and Office Equipment		–	–	–	–	–	–	1 157	1 226	1 300
Furniture and Office Equipment								1 157	1 226	1 300
Total Repairs and Maintenance Expenditure	1	–	–	–	–	–	–	2 217	2 350	2 491
R&M as a % of PPE		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	1.3%
R&M as % Operating Expenditure		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%	3.9%

This measure must be considered important within the context of the funding measures criteria because a trend that indicate insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

Details of the municipality's strategy pertaining to asset management and repairs and maintenance are contained in Table 48 MBRR SA34C .

2.6.4.9 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/ or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 47 MBRR SA34b.

2.8 Councillor and employee benefits

Table 40 MBRR SA22 – Summary of councillor and staff benefits

NC084 !Kheis - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages								2 333	2 473	2 621
Pension and UIF Contributions								–	–	–
Medical Aid Contributions								–	–	–
Motor Vehicle Allowance								577	612	649
Cellphone Allowance								170	181	192
Housing Allowances								–	–	–
Other benefits and allowances								–	–	–
Sub Total - Councillors		–	–	–	–	–	–	3 081	3 263	3 461
% increase	4		–	–	–	–	–	–	6.0%	6.0%
Senior Managers of the Municipality	2									
Basic Salaries and Wages								3 037	3 187	3 378
Pension and UIF Contributions								541	574	608
Medical Aid Contributions								–	–	–
Overtime								–	–	–
Performance Bonus								–	–	–
Motor Vehicle Allowance	3							1 052	1 115	1 182
Cellphone Allowance	3							38	41	43
Housing Allowances	3							–	–	–
Other benefits and allowances	3							30	32	34
Payments in lieu of leave								–	–	–
Long service awards								–	–	–
Post-retirement benefit obligations	5							–	–	–
Sub Total - Senior Managers of Municipality		–	–	–	–	–	–	4 668	4 949	5 245
% increase	4		–	–	–	–	–	–	6.0%	6.0%
Other Municipal Staff										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Municipal Staff		–	–	–	–	–	–	–	–	–
% increase	4		–	–	–	–	–	–	–	–
Total Parent Municipality		–	–	–	–	–	–	7 749	8 214	8 707
			–	–	–	–	–	–	6.0%	6.0%
TOTAL SALARY, ALLOWANCES & BENEFITS		–	–	–	–	–	–	7 749	8 214	8 707
% increase	4		–	–	–	–	–	–	6.0%	6.0%
TOTAL MANAGERS AND STAFF	5,7	–	–	–	–	–	–	4 668	4 949	5 245

Table 42 MBRR SA24 – Summary of personnel numbers

NC084 !Kheis - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers	Ref	2015/16			Current Year 2016/17			Budget Year 2017/18		
Number	1,2	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		7	–	7	7	–	7	7	–	7
Board Members of municipal entities	4	–	–	–	–	–	–	–	–	–
Municipal employees	5	132	128	4	132	128	4	120	111	9
Municipal Manager and Senior Managers	3	5	4	1	5	4	1	5	4	1
Other Managers	7	8	8	–	8	8	–	8	8	–
Professionals		112	107	9	112	107	9	112	107	9
Finance		27	22	5	27	22	5	27	22	5
Spatial/town planning		1	1	–	1	1	–	1	1	–
Information Technology		2	2	–	2	2	–	2	2	–
Roads		–	–	–	–	–	–	–	–	–
Electricity		–	–	–	–	–	–	–	–	–
Water		27	27	–	27	27	–	27	27	–
Sanitation		5	5	–	5	5	–	5	5	–
Refuse		13	13	–	13	13	–	13	13	–
Other		37	37	4	37	37	4	37	37	4
Technicians		–	–	–	–	–	–	–	–	–
Finance										
Spatial/town planning										
Information Technology										
Roads										
Electricity										
Water										
Sanitation										
Refuse										
Other										
Clerks (Clerical and administrative)										
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators										
Elementary Occupations										
TOTAL PERSONNEL NUMBERS	9	264	247	21	264	247	21	252	130	26
% increase					–	–	–	(4.5%)	(47.4%)	23.8%
Total municipal employees headcount	6, 10									
Finance personnel headcount	8, 10									
Human Resources personnel headcount	8, 10									

2.9 Contracts having future budgetary implications

In terms of the municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium- term revenue and expenditure framework (three years).

2.10 Capital expenditure details

The following three tables present details of the municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 45 MBRR SA34c – Repairs and maintenance expenditure by asset class

NC084 !Kheis - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		–	–	–	–	–	–	990	1 050	1 113
Roads Infrastructure		–	–	–	–	–	–	2	2	3
Roads								2	2	3
Road Structures										
Road Furniture										
Capital Spares										
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Drainage Collection										
Storm water Conveyance										
Attenuation										
Electrical Infrastructure		–	–	–	–	–	–	–	–	–
Power Plants										
HV Substations										
HV Switching Station										
HV Transmission Conductors										
MV Substations										
MV Switching Stations										
MV Networks										
LV Networks										
Capital Spares										
Water Supply Infrastructure		–	–	–	–	–	–	465	493	522
Dams and Weirs										
Boreholes										
Reservoirs										
Pump Stations										
Water Treatment Works										
Bulk Mains										
Distribution								465	493	522
Distribution Points										
PRV Stations										
Capital Spares										
Sanitation Infrastructure		–	–	–	–	–	–	523	555	588
Pump Station										
Reticulation								523	555	588
Waste Water Treatment Works										
Outfall Sewers										
Toilet Facilities										
Capital Spares										
Solid Waste Infrastructure		–	–	–	–	–	–	–	–	–

Airports									
Taxi Ranks/Bus Terminals									
Capital Spares									
Sport and Recreation Facilities	–	–	–	–	–	–	–	–	–
Indoor Facilities									
Outdoor Facilities									
Capital Spares									
	1	1	1	1	1	1	1	1	1
Heritage assets	–	–	–	–	–	–	–	–	–
Monuments									
Historic Buildings									
Works of Art									
Conservation Areas									
Other Heritage									
Investment properties	–	–	–	–	–	–	–	–	–
Revenue Generating	–	–	–	–	–	–	–	–	–
Improved Property									
Unimproved Property									
Non-revenue Generating	–	–	–	–	–	–	–	–	–
Improved Property									
Unimproved Property									
Other assets	–	–	–	–	–	–	–	–	–
Operational Buildings	–	–	–	–	–	–	–	–	–
Municipal Offices									
Pay/Enquiry Points									
Building Plan Offices									
Workshops									
Yards									
Stores									
Laboratories									
Training Centres									
Manufacturing Plant									
Depots									
Capital Spares									
Housing	–	–	–	–	–	–	–	–	–
Staff Housing									
Social Housing									
Capital Spares									
Biological or Cultivated Assets	–	–	–	–	–	–	–	–	–
Biological or Cultivated Assets									
Intangible Assets	–	–	–	–	–	–	–	–	–
Servitudes									
Licences and Rights	–	–	–	–	–	–	–	–	–
Water Rights									
Effluent Licenses									
Solid Waste Licenses									

Table 46 MBRR SA36 – Detailed capital budget per municipal vote

NC084 !Kheis - Supporting Table SA36 Consolidated detailed capital budget

Municipal Vote/Capital project	Ref	Program/Project description	Project number	IDP Goal code 2	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	GPS co-ordinates	Total Project Estimate	Prior year outcomes		2016/17 Medium Term Revenue & Expenditure Framework			Project Information	
R thousand	4				6	3	3	5		Audited Outcome 2015/16	Current Year 2016/17 Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	Ward location	New or renewal
Parent municipality: *List all capital projects grouped by Municipal Vote*																
Roads												6 200	6 200	6 200		
Internal Streets Steinham												7 500	7 950	8 427		
Water												4 598	4 958	5 337		
UDS Toilets																
Parent Capital expenditure	1											18 298	19 108	19 964		
Entities: *List all capital projects grouped by Entity*																
Entity A																
Water project A																
Entity B																
Electricity project B																
Entity Capital expenditure										–	–					
Total Capital expenditure										–	–	18 298	19 108	19 964		

The municipality's Property Rates Policy has also been reviewed to take into account views from stakeholders and other similar Forums. Other budget related policies in existence include the following:

- Budget Policy;
- Indigents Policy.
- Tariff Policy
- Credit Control and Debt Collection Policy
- Financial Code Policy
- Cash Management and Investment Policy; and
- Borrowing Policy

2.12 Other supporting documents

Table 47 MBRR SA1 – Supporting detail to budgeted financial performance

NC084 !Kheis - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2012/13	2013/14	2014/15	Current Year 2016/167				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
REVENUE ITEMS:											
Property rates	6										
Total Property Rates									4 303	4 561	4 835
less Revenue Foregone (exemptions, reductions and rebates and impermissable values in excess of section 17 of MPRA)											
Net Property Rates								–	4 303	4 561	4 835
Service charges - electricity revenue	6										
Total Service charges - electricity revenue											
less Revenue Foregone (in excess of 50 kwh per indigent household per month)									(674)	(715)	(758)
less Cost of Free Basis Services (50 kwh per indigent household per month)									674	715	758
Net Service charges - electricity revenue								–			
Service charges - water revenue	6										
Total Service charges - water revenue									4 837	5 127	5 435
less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)											
less Cost of Free Basis Services (6 kilolitres per indigent household per month)									17	18	19
Net Service charges - water revenue								–	4 820	5 109	5 416
Service charges - sanitation revenue											
Total Service charges - sanitation revenue									2 035	2 157	2 287
less Revenue Foregone (in excess of free sanitation service to indigent households)											
less Cost of Free Basis Services (free sanitation service to indigent households)									175	185	196

Total Contributions recognised - capital								–	–	–	–
Depreciation & asset impairment											
Depreciation of Property, Plant & Equipment									3 413	3 618	3 835
Lease amortisation											
Capital asset impairment											
Depreciation resulting from revaluation of PPE	10										
Total Depreciation & asset impairment	1							–	3 413	3 618	3 835
Bulk purchases											
Electricity Bulk Purchases									1 270	1 347	1 427
Water Bulk Purchases											
Total bulk purchases	1							–	1 270	1 347	1 427
Transfers and grants											
Cash transfers and grants								–			
Non-cash transfers and grants								–			
Total transfers and grants	1							–			
Contracted services											
List services provided by contract											
sub-total	1							–			
Allocations to organs of state:											
Electricity											
Water											
Sanitation											
Other											

Finance leases (including PPP asset element)											
Total Non current liabilities - Borrowing								–	–	–	–
Provisions - non-current											
Retirement benefits											
List other major provision items											
Refuse landfill site rehabilitation									3 538	3 751	3 976
Other											
Total Provisions - non-current								–	3 538	3 751	3 976
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance											
GRAP adjustments									–	–	–
Restated balance								–	2 111	3 005	2 927
Surplus/(Deficit)								–			
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											
Other adjustments											
Accumulated Surplus/(Deficit)	1							–	2 111	3 005	2 927
Reserves	-										
Housing Development Fund											
Capital replacement											
Self-insurance											
Other reserves											
Revaluation											
Total Reserves	2							–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2							–	2 111	3 005	2 927

Total capital expenditure includes expenditure on nationally significant priorities:

Provision of basic services										

Table 50 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

NC084 !Kheis - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote																
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER													–	–	–	–
Vote 2 - DIRECTORATE CORPORATE SERVICES													–	–	–	–
Vote 3 - DIRECTORATE FINANCIAL ADMINISTRATION		2 530	2 530	2 530	2 530	2 530	2 530	2 530	2 530	2 530	2 530	2 530	2 100	29 930	31 783	33 701
Vote 4 - DIRECTORATE COMMUNITY SERVICES			158	158	158	158	158	158	158	158	158	158	283	1 859	1 970	2 088
Vote 5 - DIRECTORATE TECHNICAL SERVICES													–	–	–	–
Vote 6 - DIRECTORATE CLEANING SERVICES		85	85	85	85	85	85	85	85	85	85	85	83	1 018	1 079	1 144
Vote 7 - DIRECTORATE WASTE WATER MANAGEMENT		423	423	423	423	423	423	423	423	423	423	423	422	5 075	5 379	5 702
Vote 8 - COUNCIL													–	–	–	–
Vote 9 - DIRECTORATE WATER MANAGEMENT		405	405	405	405	405	405	405	405	405	405	405	400	4 855	5 146	5 455
Vote 10 - TRAFFIC SERVICES		149	149	149	149	149	149	149	149	149	149	149	145	1 784	1 891	2 004
Total Revenue by Vote		3 592	3 750	3 750	3 750	3 750	3 750	3 750	3 750	3 750	3 750	3 750	3 432	44 520	47 228	50 095
Expenditure by Vote to be appropriated																
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER		179	179	179	179	179	179	179	179	179	179	179	180	2 149	2 278	2 415
Vote 2 - DIRECTORATE CORPORATE SERVICES		468	468	468	468	468	468	468	468	468	468	468	470	5 616	5 955	6 313
Vote 3 - DIRECTORATE FINANCIAL ADMINISTRATION		1 920	1 920	1 920	1 920	1 920	1 920	1 920	1 920	1 920	1 920	1 920	1 482	22 602	22 941	24 317
Vote 4 - DIRECTORATE COMMUNITY SERVICES		402	402	402	402	402	402	402	402	402	402	402	399	4 821	5 110	5 417
Vote 5 - DIRECTORATE TECHNICAL SERVICES		148	148	148	148	148	148	148	148	148	148	148	151	1 779	1 885	1 998
Vote 6 - DIRECTORATE CLEANING SERVICES		437	437	437	437	437	437	437	437	437	437	437	431	5 256	5 552	5 865
Vote 7 - DIRECTORATE WASTE WATER MANAGEMENT		366	366	366	366	366	366	366	366	366	366	366	371	4 397	4 661	4 940
Vote 8 - COUNCIL		409	409	409	409	409	409	409	409	409	409	409	414	4 913	5 208	5 521
Vote 9 - DIRECTORATE WATER MANAGEMENT		639	639	639	639	639	639	639	639	639	639	639	634	7 665	8 123	8 611
Vote 10 - TRAFFIC SERVICES		127	127	127	127	127	127	127	127	127	127	127	130	1 527	1 618	1 715
Total Expenditure by Vote		5 095	5 095	5 095	5 095	5 095	5 095	5 095	5 095	5 095	5 095	5 095	4 662	60 787	63 332	67 132
Surplus/(Deficit) before assoc.		(1 503)	(1 345)	(1 345)	(1 345)	(1 345)	(1 345)	(1 345)	(1 345)	(1 345)	(1 345)	(1 345)	(1 230)	(16 187)	(16 104)	(17 037)
Surplus/(Deficit)	1	(1 503)	(1 345)	(1 345)	(1 345)	(1 345)	(1 345)	(1 345)	(1 345)	(1 345)	(1 345)	(1 345)	(1 230)	(16 187)	(16 104)	(17 037)

Table 52 MBRR SA28 Budgeted monthly capital expenditure

NC084 !Kheis - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Multi-year expenditure to be appropriated	1															
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER													–	–	–	–
Vote 2 - DIRECTORATE CORPORATE SERVICES													–	–	–	–
Vote 3 - DIRECTORATE FINANCIAL ADMINISTRATION													–	–	–	–
Vote 4 - DIRECTORATE COMMUNITY SERVICES													–	–	–	–
Vote 5 - DIRECTORATE TECHNICAL SERVICES													–	–	–	–
Vote 6 - DIRECTORATE CLEANING SERVICES													–	–	–	–
Vote 7 - DIRECTORATE WASTE WATER MANAGEMENT													–	–	–	–
Vote 8 - COUNCIL													–	–	–	–
Vote 9 - DIRECTORATE WATER MANAGEMENT													–	–	–	–
Vote 10 - TRAFFIC SERVICES													–	–	–	–
Vote 11 -													–	–	–	–
Vote 12 -													–	–	–	–
Vote 13 -													–	–	–	–
Vote 14 -													–	–	–	–
Vote 15 -													–	–	–	–
Capital multi-year expenditure sub-total	2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Single-year expenditure to be appropriated																
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER													–	–	–	–
Vote 2 - DIRECTORATE CORPORATE SERVICES													–	–	–	–
Vote 3 - DIRECTORATE FINANCIAL ADMINISTRATION													–	–	–	–
Vote 4 - DIRECTORATE COMMUNITY SERVICES													–	–	–	–
Vote 5 - DIRECTORATE TECHNICAL SERVICES		517	517	517	517	517	517	517	517	517	517	517	513	6 200	6 200	6 200
Vote 6 - DIRECTORATE CLEANING SERVICES													–	–	–	–
Vote 7 - DIRECTORATE WASTE WATER MANAGEM		383	383	383	383	383	383	383	383	383	383	383	386	4 598	4 558	5 337
Vote 8 - COUNCIL													–	–	–	–
Vote 9 - DIRECTORATE WATER MANAGEMENT		673	673	673	673	673	673	673	673	673	673	673	97	7 500	7 950	8 427
Vote 10 - TRAFFIC SERVICES													–	–	–	–
Vote 11 -													–	–	–	–
Vote 12 -													–	–	–	–
Vote 13 -													–	–	–	–
Vote 14 -													–	–	–	–
Vote 15 -													–	–	–	–
Capital single-year expenditure sub-total	2	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	995	18 298	19 198	19 964
Total Capital Expenditure	2	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	995	18 298	19 198	19 964

Table 54 MBRR SA30 - Budgeted monthly cash flow

NC084 !Kheis - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash Receipts By Source															
Property rates	126	126	126	126	126	126	126	126	126	126	126	766	2 152	2 509	2 859
Service charges - electricity revenue												–	–	–	–
Service charges - water revenue	141	141	141	141	141	141	141	141	141	141	141	858	2 419	2 820	2 989
Service charges - sanitation revenue	59	59	59	59	59	59	59	59	59	59	59	359	1 013	1 126	1 258
Service charges - refuse revenue	84	84	84	84	84	84	84	84	84	84	84	523	1 447	1 637	1 768
Service charges - other												–			
Rental of facilities and equipment	46	46	46	46	46	46	46	46	46	46	46	43	549	549	546
Interest earned - external investments	20	20	20	20	20	20	20	20	20	20	20	25	245	260	275
Interest earned - outstanding debtors	13	13	13	13	13	13	13	13	13	13	13	7	150	159	169
Dividends received												–		–	–
Fines, penalties and forfeits	5	5	5	5	5	5	5	5	5	5	5	9	64	68	72
Licences and permits	1	1	1	1	1	1	1	1				0	8	9	9
Agency services	143	143	143	143	143	143	143	143	143	143	143	137	1 716	1 813	1 921
Transfer receipts - operational	2 709	400	5 793		5 664			3 411		2 209		(0)	25 186	25 534	28 170
Other revenue	180	198	195	185	195	185	185	185	185	185	185	182	2 228	2 399	2 576
Cash Receipts by Source	8 533	1 224	8 617	824	8 488	824	824	4 233	823	3 032	823	2 927	37 174	38 892	42 438
Other Cash Flows by Source															
Transfer receipts - capital	5 474		1 875	3 599			5 474		1 876			–	18 298	19 108	19 924
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)															
Proceeds on disposal of PPE						746						–	746	791	833
Short term loans												–	–	–	–
Borrowing long term/refinancing												–	–	–	–
Increase (decrease) in consumer deposits												–	–	–	–
Decrease (increase) in non-current debtors												–	–	–	–
Decrease (increase) other non-current receivables												–	–	–	–
Decrease (increase) in non-current investments												–	–	–	–
Total Cash Receipts by Source	14 007	1 224	8 492	4 423	8 488	1 570	6 298	4 233	2 699	3 032	823	2 927	56 218	58 791	63 235
Cash Payments by Type															
Employee related costs	2 050	2 050	2 050	2 050	4 350	2 050	2 050	2 050	2 050	2 050	2 050	2 796	27 612	29 289	31 025
Remuneration of councillors	257	257	257	257	257	257	257	257	257	257	257	254	3 081	3 285	3 481
Finance charges												–	–	–	–
Bulk purchases - Electricity												–	–	–	–
Bulk purchases - Water & Sewer	106	106	106	106	106	106	106	106	106	106	106	104	1 270	1 347	1 427
Other materials	185	185	185	185	185	185	185	185	185	185	185	182	2 217	2 350	2 491
Contracted services												–	–	–	–
Transfers and grants - other municipalities												–	–	–	–
Transfers and grants - other												–	–	–	–
Other expenditure	1 465	1 465	1 465	1 465	1 465	1 465	1 465	1 465	1 465	1 465	1 465	1 464	17 576	17 894	18 850
Cash Payments by Type	4 063	4 063	4 063	4 063	6 363	4 063	4 063	4 063	4 063	4 063	4 063	4 776	51 759	53 825	57 054
Other Cash Flows/Payments by Type															
Capital assets	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	1 573	995	18 298	19 108	19 964
Repayment of borrowing												–	–	–	–
Other Cash Flows/Payments												–	–	–	–
Total Cash Payments by Type	5 636	5 636	5 636	5 636	7 936	5 636	5 636	5 636	5 636	5 636	5 636	5 765	70 057	72 933	77 018
NET INCREASE/(DECREASE) IN CASH HELD	8 371	(4 412)	2 856	(1 213)	(1 448)	(4 066)	662	(1 403)	(2 937)	(2 604)	(4 813)	(2 838)	(13 838)	(14 042)	(13 784)
Cash/cash equivalents at the month/year begin:		2 371	3 960	6 816	5 604	4 156	90	753	(646)	(3 583)	(6 188)	(11 001)	–	(13 838)	(27 880)
Cash/cash equivalents at the month/year end:	2 371	3 960	6 816	5 604	4 156	90	753	(646)	(3 583)	(6 188)	(11 001)	(13 838)	(13 838)	(27 880)	(41 664)